



A MESSAGE FROM THE PRESIDENT

BY FLORENTINO J. GONZALES

As I write this message, I am sitting at the Phoenix airport on my way to New Mexico to visit my dad who lives in

Santa Fe. So, I get here the suggested two hours before, and find out my flight has been cancelled. The airline quickly put me on the next flight out (one and one-half hours later than when I was scheduled to depart). It is better to be safe and arrive at my destination complete and intact than to take a chance.

Since I assumed the duties of President in July of 2002, my focus has been to get our statutes updated and redrafted to present to our lawmakers. Much like my flight, our bill introduced into last years Session (2002) was cancelled. Now, the bill is being introduced by Senator Barbara Leff in the 2003 Session. This piece of legislation is a more complete and intact version than what we presented a year ago.

The new Bill is Senate Bill (SB) #1062. You can follow its progress and actually even print out a draft of it by going to www.azleg.state.az.us.

I need to thank so many individuals and stakeholders who contributed a substantial amount of time and effort in preparing this piece of legislation. Our Law Review Committee, chaired by Janice Washington, CPA, took the old statute two years ago and was challenged to update, merge rules and substantive policy statements,

merge Uniform Accountancy Act (UAA) provisions, present transition statutes for the 150 hours educational requirement for certification and the computerized CPA exam [coming in Spring 2004], and address issues raised by the Auditor General when the Board had an Sunset Review Audit in 1999. You can easily see how this task gained weight quickly and grew to become a challenge.

My thanks to Cindie Hubiak and the Arizona Society of CPAs who have been involved in this journey every step of the way. The Societys concern and thoughtful insight proved to be quite valuable.

Our Board has reviewed this legislation at least a dozen times. As I said earlier, this process started two years ago and has been championed by my predecessor Bill Baker. We have a jewel in Mr. Baker as a public member of the Board. His wisdom, guidance and experience have helped all of us who have worked with the Board. I would also like to recognize fellow Board members, Richard Gardner, CPA, Loretta Peto, CPA, Bill Williams, (public member), Frank Brady, CPA, and Don Bays, CPA who have been diligent and focused in seeing this piece of legislation get to the capitol.

Our legislative liaison, Greg Harris has given me the confidence to believe this legislation will pass. He has been visible, responsive and succinct in providing us with direction. I offer my gratitude for his efforts and availability.

(CONTINUED ON PAGE 2)

INSIDE...

Meet The New Executive Director

Enforcement Actions

Arizona State Board of Accountancy 2003 Master Meeting Schedule

State Board Report

Committee Volunteers Sought



VALERIE M. ELLIOTT
EXECUTIVE DIRECTOR

MEET THE NEW EXECUTIVE DIRECTOR

Valerie M. Elliott was appointed Executive Director of the Arizona State Board of Accountancy in July 2002. Ms. Elliott is a familiar face at the Accountancy Board. She has been with the Board since 1999, serving as the administrative officer and deputy director. In addition to her government experience, Ms. Elliott has worked in the non-profit and real estate fields.

Ms. Elliott holds a Master's degree in government, as well as a Bachelor's degree in government and economics from New Mexico State University.

She is married to Jeff Elliott, a certified professional counselor and has a nearly two-year old daughter.

SOURCES OF INFORMATION

Each day the Board office receives phone calls and e-mails asking questions about examination, certification, registration, continuing professional education, complaints and the statutes and rules. There are four sources of information registrants can solicit to get your questions answered:

- 1) The annual publication of Accountancy Law, Rules and Substantive Policies. In the next few weeks, registrants will be receiving this publication. Any changes to the Accountancy Law, Rules or Substantive Policies will be available on the website or by calling the office.
- 2) The Board's website at www.accountancy.state.az.us. Besides the availability of the statutes, rules and substantive policies, there are frequently asked questions posted. Also, most of the forms used by the Board are available on the website.
- 3) The ASBA Update. The Board's newsletter contains valuable information including frequently asked questions and updates on issues affecting certification, examination and regulation.
- 4) Staff. The Board staff is available to answer questions from registrants. Below is a quick reference on who to speak with regarding specific areas:

George Beard, Deputy Director	Firms and CPE
Elena Moreno, Registrant Manager	Registration and Examination
Liz Chouklas, Administrative Assistant	Certification
Mary Ramoz, Administrative Assistant	Certification
Kimberly Hayes, Investigation Coordinator	Complaints and Discipline
Jim Dube, Administrative Assistant III	Complaints and Discipline
Jesse Contreras, Administrative Officer	Website

If you have any suggestions and comments, please feel free to email Valerie Elliott at vme@mail.accountancy.state.az.us or call the Board office at 602-364-0804. ❖

(CONTINUED FROM "MESSAGE FROM THE PRESIDENT")

The staff at ASBA has worked so very hard to help with this legislation. This is in addition to all of their daily duties of licensing, registration and regulation. Valerie Elliott, your Executive Director, is responsive and timely. She has made the Board's life easier by being efficient and keeping us informed.

So we have arrived at our destination, safe, complete and intact. We have delivered the ASBA legislation to the lawmakers. By the time the next newsletter is out, I will have an update for you on the next leg of our journey. It is an honor and a privilege to be a CPA and to be President of your State Board of Accountancy. ❖

ENFORCEMENT ACTIONS

ORDER OF REVOCATION

NO. 2001.004

EDWARD TARZIAN

On July 31, 2002, the Arizona State Board of Accountancy issued an Order of Revocation to Edward Tarzian. The Order of Revocation arose from Mr. Tarzian's failure to comply with a Decision and Order (By Consent) entered into in 2001.

ORDER OF REVOCATION

NO. 2002.014

ROBERT DALE HYLTON

On October 23, 2002, the Arizona State Board of Accountancy issued an Order of Revocation to Robert Dale Hylton. The Order of Revocation arose from Mr. Hylton's unprofessional conduct in violation of A.R.S. 32-741(A)(6), (A)(8) and (A)(9); and A.A.C. R4-1-455.03(A)(1), (A)(2) and (A)(3).

ORDER OF REVOCATION

NO. 2002.013

GEOFFREY THOMAS OSOWSKI

On October 23, 2002, the Arizona State Board of Accountancy issued an Order of Revocation to Geoffrey Thomas Osowski. The Order of Revocation arose from Mr. Osowski's unprofessional conduct in violation of A.R.S. 32-741(A)(2).

DECISION AND ORDER (BY CONSENT)

NO. 00A-98230D-ACY

ALAN PROCTOR HAGUE

On July 31, 2002, the Arizona State Board of Accountancy entered into a two-year Consent Order with Alan Proctor Hague. The Consent Order arose from allegations that Mr. Hague violated professional standards. Mr. Hague was a tax partner at Arthur Andersen, LLP ("Andersen"), in Andersen's Phoenix, Arizona office and was involved in some of the consulting services provided to the Baptist Foundation of Arizona ("BFA"). The engagements that are the subject of this Consent Order include: a special income tax assessment review in 1997 and 1998 ("Tax Risk Assessment") to determine BFA's potential liability exposure if the Internal Revenue Service ("IRS") audited BFA's operations and determined that BFA engaged in substantial for-profit activities that might jeopardize BFA's tax exempt status. He was the engagement partner on Andersen's Tax Risk Assessment.

In the Consent Order, Mr. Hague disputes that the Factual Findings are complete and accurate; denies any wrongdoing with regard to the allegations made; and denies that any violations of professional standards occurred.

POLICY STATEMENT ON ENFORCEMENT ACTIONS

It is the policy of the Board to publish all final disciplinary orders. Since open discussion of disciplinary actions has an educational value, the board believes such publication to be in the public interest.

Although every effort is made to provide correct information, you should check with the Board before making a decision based on this information. Some provisions of an order may not be summarized here and the listing does not reflect pending appeals, if any.

CONSENT ORDER - Order entered into by the Board with the consent of the respondent who agrees with all the terms and provisions of the consent order. Consent orders are normally entered into without a formal hearing.

ORDER - Order entered into following a formal hearing in which the Board determines the terms and provisions without the respondent's consent. ❖

Pursuant to the Consent Order, in the event that Mr. Hague returns to the practice of public accounting in Arizona or any other state, he shall (1) provide the Board with written notice 10 days before commencement of a practice of public accounting; (2) be monitored and at the end of the first six months of his practice of public accounting submit all work papers for all engagements involving tax consulting services for review by the Board; and (3) complete 24 hours of continuing professional education in the areas of ethics, independence and non-profit taxation. This CPE is in addition to the biennial CPE requirement and shall be pre-approved by the Board.

DECISION AND ORDER (BY CONSENT)

NO. 00A-98230C-ACY

ANN M. MCGRATH

On July 31, 2002, the Arizona State Board of Accountancy entered into a Consent Order with Ann M. McGrath. The Consent Order arose from allegations that Ms. McGrath violated professional standards. Ms. McGrath was an audit manager at Arthur Andersen, LLP ("Andersen"), in Andersen's Phoenix, Arizona office assigned to the audits of the financial statements of the Baptist Foundation of Arizona ("BFA"). Ms. McGrath was on the BFA audit engagement team from 1988-1998. Commencing in 1991, she was a manager on the audit engagements. For certain of these audit engagements, she was the sole audit manager on the engagement. The engagements that are the subject of this Consent Order include: (1) the audits of BFA's 1992-1997 combined financial statements and (2) work performed after the series of articles published in the Phoenix New Times regarding BFA. For audit years 1992-1998, along with the engagement partner and any other manager on the engagement, she had responsibility for the planning of the audit and field work, identifying areas of exposure, and supervising and reviewing the audit. In the Consent Order,

(CONTINUED ON PAGE 6)

ARIZONA STATE BOARD OF ACCOUNTANCY

2003 MASTER MEETING SCHEDULE

BOARD MEETINGS

JANUARY 13	JULY 30 <i>SPECIAL MEETING</i>
JANUARY 29 <i>SPECIAL MEETING</i>	AUGUST 4
FEBRUARY 18	AUGUST 14 & 15 <i>ANNUAL MEETING</i>
MARCH 26 <i>SPECIAL MEETING</i>	SEPTEMBER 24 <i>SPECIAL MEETING</i>
APRIL 21	OCTOBER 6
MAY 7 & 8 <i>EXAMINATION TESTING</i>	NOVEMBER 5 & 6 <i>EXAMINATION TESTING</i>
MAY 12	DECEMBER 1
JUNE 9	
JULY 14	

A AND A COMMITTEE MEETINGS

JANUARY 16	JULY 24
FEBRUARY 20	AUGUST 21
MARCH 20	SEPTEMBER 18
APRIL 24	OCTOBER 16
JUNE 19	DECEMBER 4

TAX COMMITTEE MEETINGS

JANUARY 27	JUNE 30
APRIL 28	AUGUST 25
MAY 19	NOVEMBER 3

LAW COMMITTEE MEETINGS

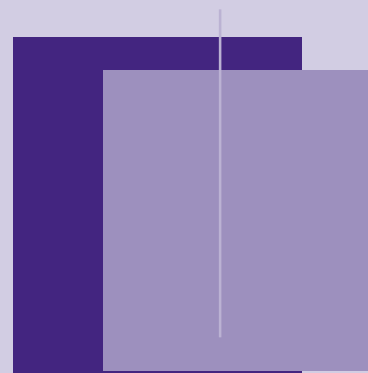
FEBRUARY 5	OCTOBER 1
MAY 7	NOVEMBER 12

CERTIFICATION MEETINGS

JANUARY 30	JULY 31
FEBRUARY 27	AUGUST 28
MARCH 13 & 14 <i>EXAM APPL. REVIEW</i>	SEPTEMBER 11 & 12 <i>EXAM APPL. REVIEW</i>
MAY 1	OCTOBER 23
JUNE 26	NOVEMBER 20

CPE COMMITTEE MEETINGS

JANUARY 21	JULY 22
FEBRUARY 25	AUGUST 19
MARCH 25	SEPTEMBER 23
APRIL 29	OCTOBER 21
MAY 27	NOVEMBER 18
JUNE 24	



FROM THE NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY'S STATE BOARD REPORT

BUSH PICKS DONALDSON FOR SEC CHAIR

President George W. Bush on December 10 named William H. Donaldson, a founder of the investment banking firm of Donaldson Lufkin & Jenrette, to be the 27th chairman of the Securities and Exchange Commission. His appointment is subject to confirmation by the Senate, but has been praised by members of both parties.

Mr. Donaldson, 71, was the first dean of management at Yale University, served as CEO of the New York Stock Exchange and later of Aetna. He has disagreed with the SEC on some of its past proposals, including accounting standards for foreign companies listed in the US and quoting stock prices in decimals rather than fractions.

In announcing Mr. Donaldson's selection, President Bush said, "Bill Donaldson will be a strong leader with a clear mission — to vigorously enforce the nation's laws against corporate corruption and uphold the highest standards of integrity in the securities market." ❖

REVISED UAA ON NASBA WEB

The complete November 2002 revised edition of the Uniform Accountancy Act and Uniform Accountancy Act Rules can now be downloaded from the NASBA website www.nasba.org. It can be found under the heading of "Publications and Speeches."

NASBA UAA Committee Chair Michael Weatherwax stated: "The additions to the model rules under the UAA recently adopted by the NASBA and AIGPA Boards of Directors provide an excellent roadmap for state boards to follow in drafting their rules related to interstate practice under substantial equivalency and for the adoption of the new conditioning and transition requirements for the computer-based CPA examination, going on line in the spring of 2004. The NASBA UAA Committee strongly encourages boards to review and adopt these new uniform rules within the next, few months."

The November 2002 revision contains changes to conform the UAA to professional standards with regard to SSARS compilations and includes rules on: notification under substantial equivalency; disclosure for Internet practice; and implementation of the computer-based Uniform CPA Examination.

In addition, a model notification form to be used by professionals who want to apply for practice privileges in another jurisdiction under UAA Section 23 - Substantial Equivalency can be found on the NASBA website (in the "Publications" section under "UAA"). The streamlined notification form was developed by the NASBA UAA Committee to make it easy for all licensees to comply with state notification. Its distribution was approved at the October NASBA Board of Directors' meeting. ❖



COMMITTEE VOLUNTEERS SOUGHT

Two of the Board's Committees, Tax Practice and Certification, are looking for new CPA volunteers.

The Tax Practice committee reviews complaints made against Arizona licensed CPA's and makes recommendations to the Board regarding the disposition of the complaints. The Committee utilizes the assistance of CPA investigators, hears testimony from respondents, and receives input from Assistant State Attorney Generals assigned to work with the Board.

The Certification Committee reviews certification and CPA examination applications and makes recommendations to the Board regarding the qualifications of the applicants.

The Committees meet from eight to ten times a year on a regular basis, in addition to occasional special meetings. Members receive small stipends for each meeting attended.

If you have an interest in joining either of these committees, please send a letter expressing your interest and a resume to:

Arizona State Board of Accountancy
Attn: Valerie M. Elliott, Executive Director
100 N. 15th Avenue, Suite 165
Phoenix, AZ 85007

(CONTINUED FROM PAGE 3)

Ms. McGrath disputes that the Factual Findings were complete and accurate; denies any wrongdoing with regard to the allegations made; and denies that any violations of professional standards had occurred.

Pursuant to the Consent Order, Ms. McGrath relinquished her certificate.

**DECISION AND ORDER (BY CONSENT)
NO. 2000.056**

JAY STEVEN OZER

On July 31, 2002, the Arizona State Board of Accountancy entered into a Consent Order with Jay Steven Ozer. The Consent Order arose from allegations that Mr. Ozer violated professional standards. Mr. Ozer was a partner in Phoenix, Arizona office of Arthur Andersen ("Andersen") and was the partner in charge of the audits and other services provided to Styling Technologies, Inc. ("STC"), which included STC's November 1996 Initial Public Offering ("IPO") and the audits of the 1996, 1997 and 1998 financial statements of STC. Mr. Ozer, as the supervising partner on the STC engagements, was required to conduct the audits in accordance with professional standards.

**DECISION AND ORDER (BY CONSENT)
NO. 00A-98230B-ACY**

JAY STEVEN OZER

On July 31, 2002, the Arizona State Board of Accountancy entered into a Consent Order with Jay Steven Ozer. The Consent Order arose from allegations that Mr. Ozer violated professional standards. Jay Ozer was the partner on Arthur Andersen's audits of the 1992-1997 financial statements of the Baptist Foundation of Arizona ("BFA"). Mr. Ozer was the Andersen partner with the ultimate responsibility for the conduct of the audits, including reviewing all work performed, resolving all accounting issues, evaluating the results of the audits and forming an opinion in issuing final reports. As the audit partner, he was required to know, understand and consider any other information about BFA gathered in connection with Andersen's Tax Risk Assessment and to determine if such information should be included in or had a material affect on BFA's financial statements. The engagements that are the subject of this Consent Order include: (1) the audits of BFA's 1992-1997 combined financial statements and (2) a special risk assessment review in 1997 and 1998 ("Tax Risk Assessment").

In the Consent Order, Mr. Ozer disputes that the Factual Findings were complete and accurate; denies any wrongdoing with regard to the allegations made; and denies that any violations of professional standards had occurred.

Pursuant to the respective Consent Orders, the Respondent relinquished his certificate.

In the Consent Order, Mr. Ozer disputes that the Factual Findings were complete and accurate; denies any wrongdoing with regard to the allegations made; and denies that any violations of professional standards had occurred.

Pursuant to the respective Consent Orders, the Respondent relinquished his certificate.

**DECISION AND ORDER (BY CONSENT)
NO. 00A-98230-ACY**

ARTHUR ANDERSEN LLP

On September 11, 2002, the Arizona State Board of Accountancy entered into a Consent Order with Arthur Andersen LLP ("Andersen"). The Consent Order arose from allegations that Andersen failed to comply with certain applicable accounting and audit standards regarding services Andersen provided to the Baptist Foundation of Arizona ("BFA"). The engagements that are the subject of this Consent Order include: (1) the audits of BFA's 1992-1997 combined financial statements and (2) a special risk assessment review in 1997 and 1998 ("Tax Risk Assessment"). Andersen denies, on behalf of itself and each of its present and former partners and employees, any wrongdoing with regard to the matters set forth in the Consent Order and denies that any violations of professional standards had occurred.

Pursuant to the Consent Order, Andersen paid the principal amount of \$217 million pursuant to the global settlement entered in *Baptist Foundation of Arizona Liquidation Trust v. Arthur Andersen LLP*, Case No. CV_2000_01589, the terms of which were incorporated into the Order. The payment of \$217 million was deemed restitution to BFA investors, except for \$640,000 which was paid to the Board as reimbursement of costs. Andersen's registration to practice in Arizona was subject to a biennial renewal on September 1, 2002. Andersen decided not to renew its registration to practice in Arizona and relinquished its registration on August 31, 2002. In the event Andersen or any successor firm applies for a registration to practice public accounting in Arizona, the Board will consider all disciplinary actions pending as of August 31, 2002 as well as all other matters it determines to be appropriate.



(CONTINUED ON PAGE 7)

**DECISION AND ORDER (BY CONSENT)
NO. 2001.134**

ARTHUR ANDERSEN LLP

On September 11, 2002, the Arizona State Board of Accountancy entered into a five year Consent Order with Arthur Andersen LLP (“Andersen”). The Consent Order arose from allegations that Andersen failed to comply with certain applicable accounting and audit standards regarding services Andersen provided to National IPF Company and its subsidiaries and its parent holding company, NIPF Holding Company. Andersen denies, on behalf of itself and each of its present and former partners and employees, any wrongdoing with regard to the matters set forth in the Consent Order and denies that any violations of professional standards had occurred.

Pursuant to the Consent Order, (1) the Order shall apply to Andersen and any successor firms to Andersen, but not to other certified public accounting firms with which Andersen partners or employees may now be employed; (2) Andersen’s registration to practice in Arizona was subject to a biennial renewal on September 1, 2002. Andersen decided not to renew its registration to practice in Arizona and relinquished its registration on August 31, 2002; (3) Andersen was required to reimburse the Board’s costs in the amount of \$40,000; (4) In the event Andersen or any successor firm applies for a registration to practice public accounting in Arizona, the Board will consider all disciplinary actions pending as of August 31, 2002 as well as all other matters it determines to be appropriate.

**DECISION AND ORDER (BY CONSENT)
NO. 2002.058**

WILLIAM E. SIWEK

On September 11, 2002, the Arizona State Board of Accountancy entered into a five_year Consent Order with William E. Siwek. The Consent Order arose from allegations that Mr. Siwek violated professional standards for his role in the services provided by Arthur Andersen LLP (“Andersen”), to National IPF Company and its subsidiaries and its parent holding company, NIPF Holding Company (hereinafter “NIPF”). Mr. Siwek served as engagement manager for the audits of NIPF’s 1991, 1992, 1993, 1994 and 1995 financial statements. Andersen admitted Siwek as a partner in September 1996. In the Consent Order, Mr. Siwek denies any wrongdoing with regard to the allegations made and denies that any violations of professional standards had occurred.

Pursuant to the Consent Order, Mr. Siwek (1) is precluded from engaging in auditing of or providing restricted financial services to any client that issues public securities; (2) is required to submit his next three audits of companies that do

not issue public securities for pre_issuance review; and (3) complete 40 hours of continuing professional education in the areas of ethics, internal controls, corporate governance, adjustments of financial statements for prior periods, objectivity and professional skepticism.

**DECISION AND ORDER (BY CONSENT)
NO. 2002.074**

JEFFREY LOUIS STERN

On October 23, 2002, the Arizona State Board of Accountancy entered into a five-year Consent Order with Jeffrey Louis Stern. The Consent Order arose from Mr. Stern’s felony conviction in United States District Court.

Pursuant to the Consent Order, Mr Stern’S certificate is placed on probation for five years with the following terms: (1) his certificate is suspended for the first six months, during which he cannot hold himself out as a Certified Public Accountant, and he is required to notify his employer and any clients of his suspension; (2) shall submit to a psychological evaluation; (3) enroll in behavioral health counseling for a minimum of three months; (4) submit to pre-issuance peer review on all restricted financial services and full disclosure compilations; (6) pay the Board’s investigative and administrative costs of \$500; and (7) comply with all the terms of his federal probation/supervision.

**DECISION AND ORDER (BY CONSENT)
NO. 2002.011**

TKATCHOV & MACINTRYE CPA’S, P.C.

On December 4, 2002, the Arizona State Board of Accountancy entered into a Consent Order with Tkatchov & MacIntrye CPA’s, P.C. The Consent Order arose from failure to comply with certain accounting and audit standards with respect to audit for a nonprofit organization.

Pursuant to the Order, the Respondent shall: (1) submit the next three audits, including at least one audit of a nonprofit for pre-issuance review and (2) pay the Board’s investigative costs in the amount of \$6168.80.

**DECISION AND ORDER (BY CONSENT)
No. 1998.155B**

BETTE N. RASCO

On December 9, 2002, the Arizona State Board of Accountancy entered into a three-year Consent Order with Bette N. Rasco. The Consent Order arose from Ms. Rasco failure to comply with an October 1999 Consent Order.

Pursuant to the Order, the Respondent shall: (1) be place on three years probation; (2) submit the Federal Form 706 prepared in January 2002 for peer review; and (3) submit the first two Form 706 she prepares to pre-issuance review. ❖

ADDRESS CHANGE? LET US KNOW!

(PLEASE PRINT)

CERTIFICATE HOLDER: _____
LAST NAME JR./III FIRST MIDDLE

CERTIFICATE NUMBER: _____

(PLEASE ONLY ADD INFORMATION THAT HAS CHANGED)

CURRENT HOME ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

BUSINESS NAME: _____

CURRENT BUSINESS ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

CURRENT DAYTIME PHONE: _____

SEND MY MAIL TO: _____ HOME _____ BUSINESS

SIGNATURE: _____ DATE _____

MAIL TO: ARIZONA STATE BOARD OF ACCOUNTANCY
100 N. 15TH AVENUE, SUITE 165, PHOENIX, AZ 85007; FAX: (602) 364-0903

ASBA

UPDATE

The ASBA Update is published two times a year by the Arizona State Board of Accountancy, 100 N. 15th Avenue, Suite 165 - Phoenix, Arizona 85007. Telephone 602.364.0900. Opinions expressed in articles by contributors are not necessarily those of the Board of Accountancy.

VALERIE M. ELLIOT, EXECUTIVE DIRECTOR

GEORGE L. BEARD, DEPUTY DIRECTOR

BOARD MEMBERS AS OF JULY 3, 2002

Florentino J. Gonzales, CPA	Term Expires: July 3, 2004	President
Loretta Peto, CPA	Term Expires: July 3, 2005	Treasurer
Richard M. Gardner, CPA	Term Expires: July 3, 2003	Secretary
Lehman William Williams	Term Expires: July 3, 2004	Member
William D. Baker, Attorney	Term Expires: July 3, 2004	Member
Frank J. Brady, CPA	Term Expires: July 3, 2006	Member
Don R. Bays, CPA	Term Expires: July 3, 2007	Member

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